

OPERATIONAL REVIEW OF THE NATIONAL SOCIAL SECURITY FUND



OBJECTIVES

- Review the NSSF operations in order to assess the institution's capacities and institutional constraints.
- Develop evidence-based recommendations to improve the administration of existing benefits.
- Allow stakeholders to assess the enabling environment required to support coverage extension to new groups.



WHY FOCUS ON EII?

- The only branch the NSSF managed from 2007 to 2016.
- The administrative structure of the NSSF is set up to implement the EII branch.
- Limited scope, consider further specific analysis (i.e. IT system, SHI process evaluation)

METHODOLOGY

- Examination of the legal framework
- KII with all division directors and staff at HQ and provincial branches
- KII with other relevant government (MOH, MEF) and social partners
- KII with private sector partners (banks, private insurers)
- Review of NSSF database according to key performance indicators
- Nationwide survey (>1,300 respondents) to gauge knowledge of and satisfaction with NSSF services.



EMPLOYMENT INJURY INSURANCE

Cover workplace accidents and work-related diseases

- Medical care
 - Nursing cash allowance
 - Temporary disability cash benefit (TDB)
 - Funeral (death) benefit
 - Permanent disability benefit (PDB) and caretaker benefit
 - Survivor benefit pension
 - In-kind rehabilitation benefit
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- Low incidence rate raises concerns about claim procedures

NEW BRANCHES

1. Social Health Insurance (SHI)

- Medical care and hospitalization not exceeding 180 days within 12 months
- Prevention services
- No high-cost items due to limited supply

2. Sick

1. Maternity leave

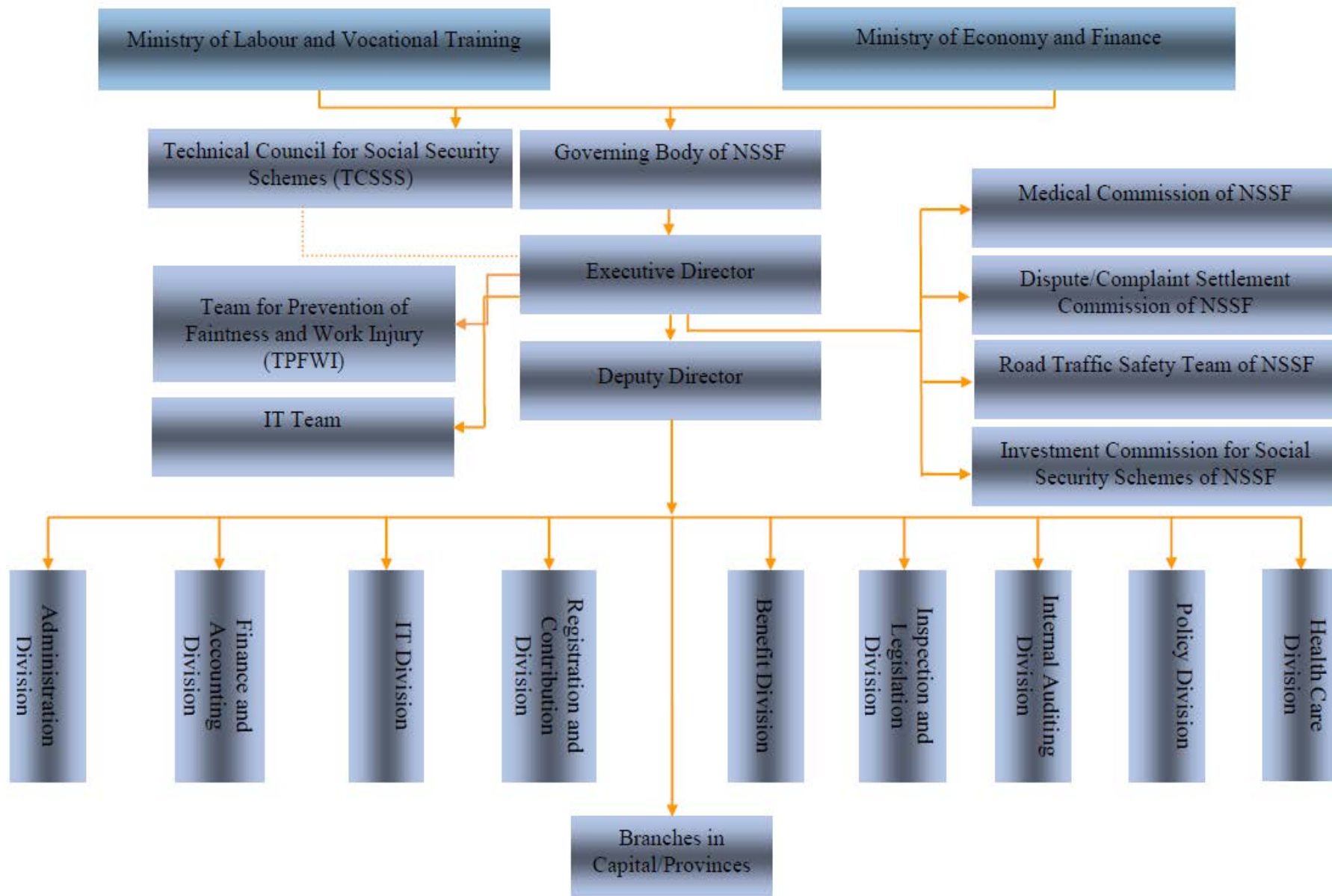


ORGANIZATIONAL STRUCTURE



THE ORIGINS OF THE NSSF

- Established by Social Security Law to “alleviate old age, disability, death, occupational risk, or any other contingencies such as maternity and health”
- Target population defined by Labour Law -> workers
- Technically under the MoLVT and financially under the MEF
- Governed by a tripartite Board of Directors
 - approve contribution rates, determine investment, set its administrative structure and regulations on recruitment and incentives.
- Legally a financially autonomous agency, but not in practice.
- Structural challenge to efficiency.





THE SPPF, NSPC AND THE NSSF

NSSF tapped for central role, mandate could be extended:

1. Rationalization and integration of NSSFC
 2. Coverage of all working population, including those informally employed
- Consider the pressure this increase in workload could put on administrative structures.
 - Simultaneous expansion to new populations and branches will require administrative reform and consolidation prior to implementation
 - The integrity of the NSSF's tripartite structure also remains an open question.



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OPERATIONAL
PERFORMANCE



A NOTE ON STAFFING

- In early 2017, 77% of the 782 staff were contractual (now 81%)
- Amongst contractual staff:
 - 73% have been at the NSSF for less than 1 year (meaning that 54% of NSSF staff is in their first year of service!)
 - Salaries similar to civil servants, additional public benefits act as strong incentives for retention
 - Critical for high-skilled jobs (medical doctors, IT, actuaries, investment)
- High turnover rates is limiting expertise and effectiveness
- Power to establish salary scale and recruitment policy is critical to the institution's capacity to extend coverage.



FINANCE AND ACCOUNTING DIVISION

- NSSF follows the financial reporting standards set out by MEF regulations.
- Financial statements and balance sheets are reported to MEF and MoLVT
- Difficult to track financial indicators as there is no Funding Policy
 - Ensure that plan assets are sufficient to deliver the promised benefits
 - Specifies: contribution rates and their evolution, risk tolerance and sharing, funding objectives and methods, etc.
- Recommended: Investment Unit

INTERNAL AUDIT DIVISION

- Continuous internal audits and yearly external audits from NAA
- From physical files to electronic filing.

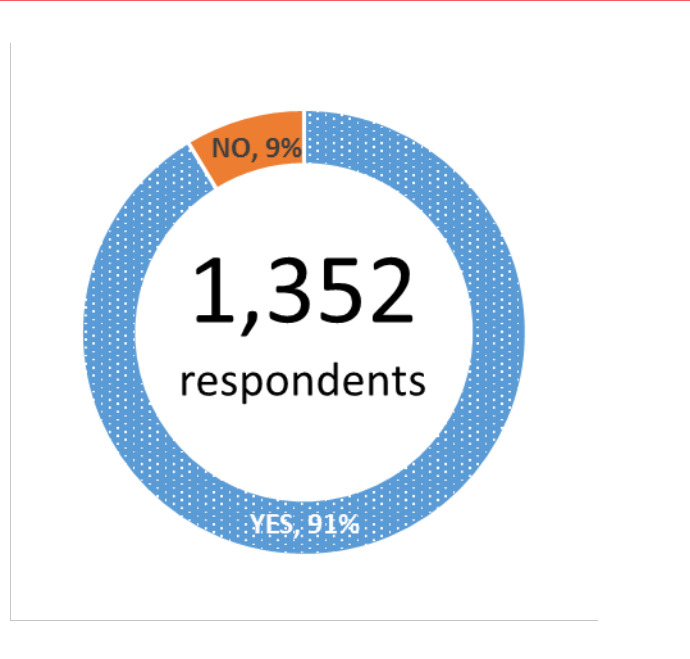


POLICY DIVISION

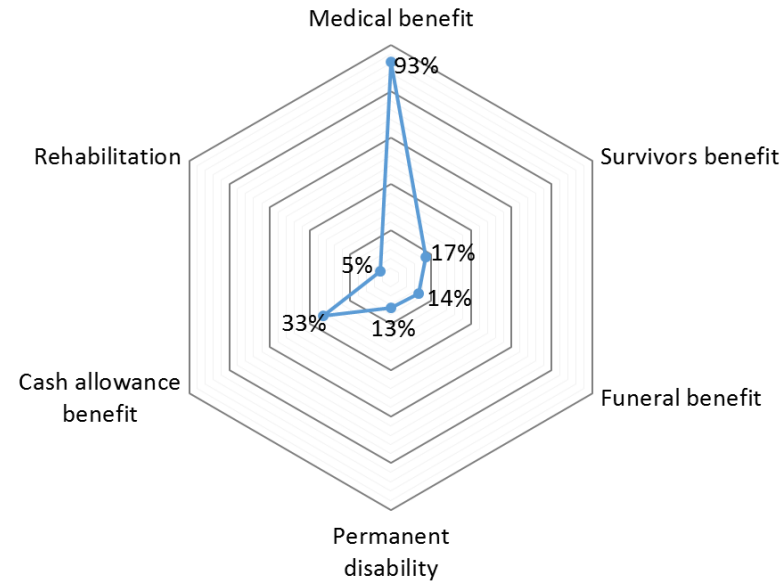
- Duties in policy formulation, planning and legal frameworks
- In reality more PR function
- Lack of M&E system and reporting limits planning capacities
- Moving forward:
 - Legal Unit
 - Communications Unit

COMMUNICATIONS NEEDS

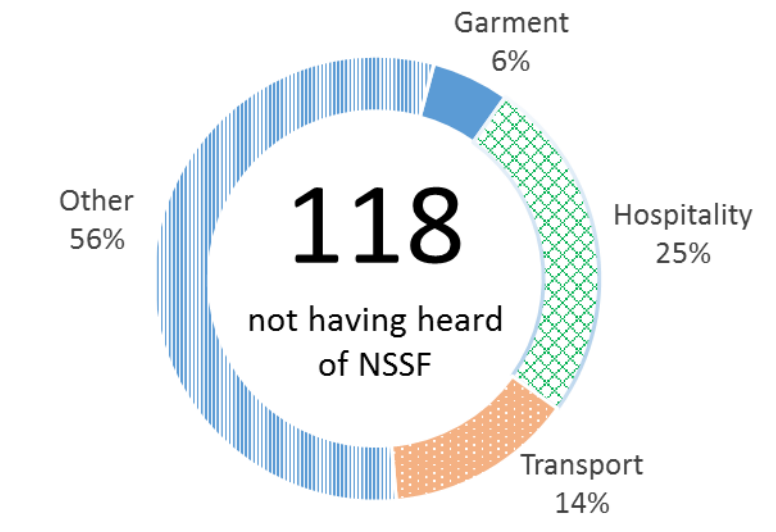
Knowledge of NSSF



Per benefit



By industries





REGISTRATION DIVISION

Registration of enterprises

- No automatic mechanism to identify new enterprises
- Inspectors visually monitor geographical areas
- No power to address non-compliance
- Link business registration at MoC with NSSF compliance

Registration of workers

- Done through employers
- Lack of link to civil registry leads to large amounts of errors in data entry
- Challenge to update individual records and thus to guarantee benefits based on contributions (i.e. 2wm for SHI, 9wm for maternity)



INSPECTIONS AND LEGAL AFFAIRS

- Main functions: contribution collection, inspection and compliance enforcement
- Only civil servants can be inspectors, so limited manpower
- In 2016, 14% of random inspections found non-compliance.
- NSSF inspectors have limited authority to manage debts and levy fines, particularly at provincial branches.
- Both employers and workers have called for notice mechanism (when a contribution is not paid)
- Contribution ceiling is too low at KHR 1million



BENEFITS DIVISION

- **Benefits** are not indexed to inflation or wage growth, despite rapid wage growth -> erosion of benefits.
- **Claims** rates are growing but still low by international standards
- For every 10 EII cases in 2016, 4 were not reported to NSSF.
- **Reporting** late (months end) is common, leading to delayed payments.
- **Payments** can only be approved by the Executive Director

Table 13. Time between date of report and date of first payment (in %)

Days	2013	2014	2015	2016
< 7 days	3	3	5	2
< 14 days	31	37	37	27
1 month	1	1	1	2
1 month to 3 months	22	18	18	27
More than 3 months	43	42	40	43

3/7/2018



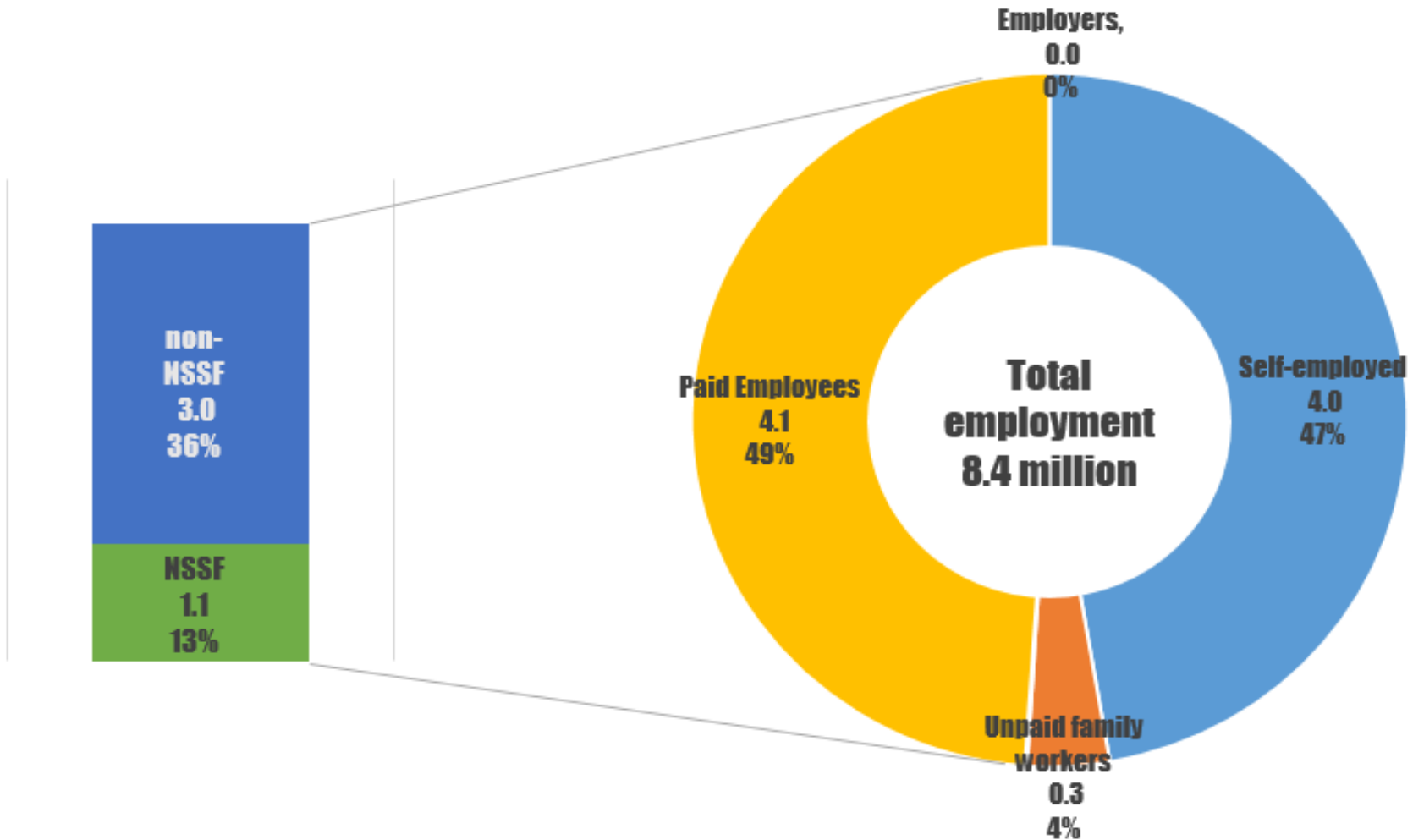
HEALTHCARE DIVISION

- No dedicated EII division
- Establishment of Healthcare division reflects increased complexity
- However, the implementation of SHI continues to rely on all other divisions.
- Dedicated investment into the healthcare division has created incoherence in the overall capacity to deliver.



ADMINISTRATIVE
SOLUTIONS
FOR **COVERAGE**
EXTENSION

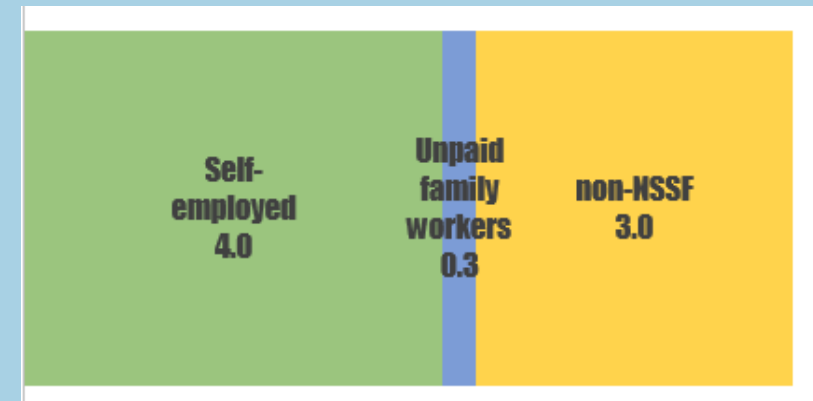
EMPLOYMENT IN CAMBODIA



AN ENABLING ENVIRONMENT

- Legal mandate? Labour Law covers the 3 million people in salaried employment, but there is less clarity for people in other forms of employment.
- Notification 307 explicitly expands mandate to the non-NSSF group, mostly SMEs.
- Adapt existing mechanisms – developed for garment sector – to SMEs.
- Construction sector prioritized.

Figure 26. Informally employed workers by employment type (2017)





THE SELF-EMPLOYED

- Not a homogeneous group:
 - own account workers
 - casual wage workers
 - Homeworkers
 - Unpaid family workers
- Low, irregular and unpredictable income.
- Unpaid family workers and homeworkers have no income at all
 - NSSF expansion into dependents: require massive data collection and collection of contributions (1.2% of salary for spouse and children)
 - Could be started on a voluntary basis



ENSURING INSTITUTIONAL READINESS

- NSSF Board to formulate Strategic Coverage Extension Plan.
- Management to leverage partnerships:
 - MoI and MoC on registration
 - PCA, if independent, on claims processing
 - Microfinance institutions and mobile companies for payments
 - MEF Tax Department and MoJ on compliance
- Increasing awareness on rights and duties



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RECOMMENDATIONS

To the NSPC

1. Adopt a more systematic approach to expansion. Develop a strategy for the implementation of the SPPF and an Organizational Development Strategy for the NSSF.
2. Address the issue of staffing. Uphold NSSF's independent status and clarify governance structure.
3. Facilitate collaboration between NSSF and other government institutions like Tax, Mol, MoC, etc.
4. Promote a formalization policy. Make formality more attractive (ie. Improve quality of health services and remove double burden for maternity).
5. Request NAA to allow for electronic filing system

To the Board

6. Review and upgrade the organizational structure of the institution
7. Establish policy guidelines on appointment of Management and fit-and-proper standards for the position.
8. Establish a Funding Policy for every branch.
9. Develop an evidence-based Investment Policy for every relevant branch and appoint an internal or external investment manager.
10. Explore the decentralization of functions from central level to branches

To the Management I

11. Review planning, monitoring and evaluation processes. Establish logical framework with standards and benchmarks for key operations.
12. Review continued relevance of various Committees and Working Groups. If functions are permanent integrate into structure, if not, time-bound groups.
13. Establish a Legal Unit to prepare draft legislation and aid with prosecution.
14. Establish a Communications Unit and take a more proactive approach in fostering a culture of awareness of social security and contribution responsibility.
15. Put in place training and succession plans. Develop training materials for new recruits.

To the Management II

16. Formalize processes into Standard Operating Procedures
17. Simplify reporting and claims procedures and develop customer-centric systems.
18. Innovate in terms of payment mechanisms.
19. Methodically develop administrative solutions for informally employed workers, starting with SMEs and continuing with the self-employed.
20. Formulate a coverage extension plan to guide these efforts and leverage partnerships.

Thank you!

Questions? Comments?

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